



For Immediate Release
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SENATE FINANCE AGRICULTURE TAX PACKAGE: RELIEF FOR FARMERS AND RANCHERS

America's farming families sacrifice a lot to feed this country – and the farm bill can lighten the load that agricultural producers carry with well-targeted tax relief. The Senate Finance Committee conferees on the farm bill have proposed a number of tax relief provisions to encourage and enable the major financial investments that farmers make throughout their lives – helping them start farming, helping them stay financially afloat, and making the tax code fairer for those who make a living working the land.

A number of the tax relief provisions in the Senate conference offer include are outlined below. In addition to those listed here, additional provisions in the Senate Finance package promote homegrown energy independence, endangered species recovery, and land conservation. In particular, one provision provides tax relief to retired and disabled farmers and ranchers who enroll their land in the Conservation Reserve Program.

- **Agricultural Equipment Depreciation:** A piece of agriculture equipment like a tractor or combine can be a farmer's biggest single expense in any given year. Taxpayers – including farmers – generally must deduct the cost of property used in a trade or business over time, through depreciation. This proposal helps make farm machinery and equipment more affordable by reducing the recovery period for farm equipment from seven years to five years. This provision has a cost of approximately \$996 million over five years, but because the equipment was scheduled to depreciate over the longer seven-year term, the provision has a negligible revenue effect over the ten-year budget window.
- **Help for Farmers Starting Out:** "Aggie Bonds" are tax-exempt bonds that provide low-interest loans for first-time ranchers and farmers. The Aggie Bond program has not been updated in 26 years – in which time farm costs have risen exponentially. The proposal would increase the loan limit for an individual beginning farmer from \$250,000 to \$450,000, and index the limit amount for inflation. The proposal also allows more beginning farmers – including those with a previous stake in family farm land – to qualify for Aggie Bonds. This proposal costs \$24 million over ten years.
- **Support for Agricultural Businesses:** Agricultural chemicals and pesticides purchased for legitimate uses are increasingly vulnerable to theft because of the drug trade and national security threats. Some agricultural businesses may pay tens of thousands of dollars on new measures to secure their storage sites. This proposal will help agricultural businesses afford the increasing expenses of protecting agricultural chemicals and pesticides. This proposal provides a credit for 30 percent of costs for the protection of agricultural chemicals or pesticides, with \$2 million annual limit and a per facility limitation of \$100,000. The cost is \$14 million over ten years.

(see reverse)



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- **Equal tax treatment for equine livestock:** Gain from the sale or exchange of a horse held for draft, breeding, or sporting purposes only qualifies for long-term capital gains treatment if the horse has been held for 24 months or more, but all other livestock (except cattle) are capital-gains eligible after just one year. This proposal extends the one-year rule to horses through December 31, 2013. In another statute, the current depreciation schedule for the cost of a race horse does not recognize that most horses held for sporting purposes end their sporting careers by age four. Right now, a sporting horse bought at less than two years old and trained for racing must be depreciated over seven years. Racing horses bought at more than two years old can be depreciated over three years. This proposal creates a uniform depreciation period of 3 years for all race horses. The equine provisions cost an estimated \$93 million over ten years.
- **Flexibility for Landowners with Water Rights:** Some state water rules keep farmers and ranchers from selling their land when they need or want to. This proposal allows the tax-free exchange of stock that represents a holding of water rights, just as allowed for real property under Section 1031 of the tax code. The cost is \$2 million over ten years.
- **Kansas Tornado Disaster Relief:** Farm country is often tornado country, and this proposal provides timely, temporary tax relief to the victims of tornados and storms that hit the Greensburg, Kansas area. Temporary assistance including increased ability to deduct personal losses, increased business expense deductions, and help for affected businesses that continued to pay their employees after the disaster struck are available only to individuals and businesses in the presidential disaster declaration area. The cost is \$61 million over ten years.